

**PROSPECTUS - SUPERSEDING LEASE
INTERNAL REVENUE SERVICE
KANSAS CITY, MO**

Prospectus Number: PMO-01-KC13
Congressional District: 05

Executive Summary

The General Services Administration (GSA) proposes a superseding lease of up to 1,140,000 rentable square feet (RSF) and 4,900 parking spaces for the Department of Treasury - Internal Revenue Service (IRS) Kansas City Service Center facility, currently located at 333 West Pershing Road, Kansas City, MO. The IRS Kansas City Service Center is the primary location for continued processing of individual taxpayer paper returns and is expected to retain this function even as the transition to electronic filing is being adopted by taxpayers to an increasing degree. This proposed request serves to enhance the Government's leasehold interest in the current facility, based on IRS's determination of ongoing need and the current lessor's offer to extend and improve the terms of the lease. Upon successful negotiations, the superseding lease would commence approximately at the beginning of FY 2013 and continue through to the end of FY 2032.

Description

Occupant:	IRS
Lease Type:	Superseding
Maximum Rentable Square Feet:	1,140,000 (RSF/USF=1.13)
Expansion Space:	None
Current Usable Square Feet/Person:	201
Proposed Usable Square Feet/Person:	201
Proposed Maximum Leasing Authority:	20 years
Proposed Delineated Area:	333 West Pershing Road
Number of Parking Spaces:	3,800 Secured Inside 1,100 Structured
Justification:	Enhancement of leasehold interest, improvement of lease terms
Scoring:	Operating Lease

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Maximum Proposed Rental Rate ¹ :	\$23.04/RSF including parking
Proposed Total Annual Rental Cost:	\$22,800,000
Proposed Total Annual Parking Cost:	\$3,469,000
Proposed Total Annual Cost ² :	\$26,269,000
Current Total Annual Cost:	\$36,776,400 (lease effective 12/1/2006)

Background

As part of the Fiscal Year 2004 Capital Investment and Leasing Program, GSA submitted prospectus number PMO-1KC04 in support of a request to lease 1,140,000 rentable square feet of space for the Department of Treasury, Internal Revenue Service, Service Center, then located at 2306 Bannister Road, 1500 East Bannister Road, and five leased locations in the Kansas City metropolitan area, for a lease term of fifteen years. The House Committee on Transportation and Infrastructure and the Senate Committee on Environment and Public Works approved the making of appropriations for this request by resolutions dated April 9, 2003. This lease, which includes the adaptive reuse of the historic Kansas City Main Postal facility, commenced on December 1, 2006 and expires on November 30, 2021. The leased facility is located in the Central Business Area of Kansas, is LEED Certified, and has an Energy Star rating of 89.

Justification

The current lessor has submitted a superseding lease proposal to GSA that would extend IRS occupancy of the current facility in exchange for a reduced rental rate, a tenant improvement package, and favorable adjustment of provisions in the existing lease agreement. The proposed superseding lease would reduce the rental rate paid by the Government for the balance of the current lease term and during the lease extension period. The lease term would be extended approximately eleven years beyond the original lease expiration of November 30, 2021, and the rental rate paid over the 20-year lease term would be lower than the current contract rent. The total annual rent for the

¹This estimate is for fiscal year 2013 and may be escalated by 1.8 percent annually to the effective date of the lease to account for inflation. The proposed rental rate is fully serviced including all operating expenses whether paid by the lessor or directly by the Government. Due to the unsolicited nature of the current lessor's offer, if GSA is unable to negotiate a 20-year lease at the proposed maximum rental rate, that rental rate may be increased by an amount not to exceed 15 percent, provided that the House Committee on Transportation and Infrastructure and the Senate Committee on Environment and Public Works are notified of the terms of the proposed lease agreement.

²Any new lease may contain an annual escalation clause to provide for increases or decreases in real estate taxes and operating costs.

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Kansas City IRS facility under the current lease is \$36,776,400 (\$32.26/RSF). Under the superseding lease proposed in this prospectus, which is based on GSA's reformulation of the current lessor's offer, this amount would be reduced to \$26,269,000 (\$23.04/RSF), representing an annual cost savings of \$10,507,400. In addition, IRS would receive a tenant improvement allowance concession of \$7,500,000 (\$6.58/RSF). GSA's proposed reformulation of the current lessor's offer is based on current market rental rates for office space and parking in Kansas City, MO.

Although GSA regards continued need, potential cost savings, and the strategic location of the facility as the basis for justifying a superseding lease, this prospectus does not constitute validation of the received offer. Instead, it reformulates the offer to ensure that the Government's share of the benefits of entering into a superseding lease is fair and reasonable, given that the term of the Government's leasehold commitment would be significantly extended. In the event that negotiations with the current lessor are unsuccessful, GSA will allow the existing lease to run to the end of its current term.

Resolutions of Approval

Adoption of resolutions approving this prospectus by the House Committee on Transportation and Infrastructure and the Senate Committee on Environment and Public Works will constitute approval to make appropriations to execute a superseding lease agreement for extended IRS occupancy at 333 West Pershing Road, Kansas City, MO.

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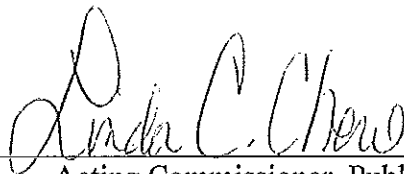
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Certification of Need

The proposed superseding lease is the best solution to meet a continuing Government need.

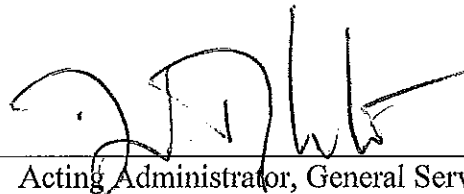
Submitted at Washington, DC, on JUL 5 2012

Recommended: _____



Acting Commissioner, Public Buildings Service

Approved: _____



Acting Administrator, General Services Administration